

Message Text

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43

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 TRSE-00 JUSE-00 SSO-00 NSCE-00

USIE-00 INRE-00 AID-05 CEA-01 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 CIEP-02 SP-02 STR-04 LAB-04 SIL-01

SAM-01 OMB-01 SS-15 NSC-05 INT-05 /074 W

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 0942

INFO USMISSION EC BRUSSELS

UNCLAS BONN 13159

DEPARTMENT PASS TREASURY

DEPARTMENT PASS JUSTICE

E.O. 11652: GDS

TAGS: ETRD, EC, GW

SUBJECT: COUNTERVAILING DUTY PETITION - STEEL

REF: (A) STATE 248802; (B) BONN 1781; (C) STATE 33535;

(D) STATE 51434; (E) 93320

1. ECONMIN OFFICE DIRECTOR MESENBERG HAS ASKED USG URGENTLY TO REVISE PARAGRAPH 26 OF ITS ANSWER IN U.S. CUSTOMS COURT (CASE NO. 76-2-00456) TO COMPLAINT BY U.S. STEEL CORPORATION RE TREASURY DECISION LAST FALL THAT GRANTS OR BOUNTIES ARE NOT BESTOWED ON EC STEEL EXPORTS WHICH BENEFIT FROM REFUND OF VALUE ADDED TAX (VAT). MESENBERG SAID THAT USG CAN AMEND TEXT OF ITS ANSWER UNILATERALY UNTIL AUGUST 12, AFTER WHICH ANY CHANGES WILL REQUIRE ASSENT OF OTHER PARTIES TO DISPUTE. FOR THIS REASON HE ASKED THAT USG AGENCIES MOVE QUICKLY TO CORRECT RECORD.

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2. ACCORDING TO DOCUMENTATION WHICH MESENBERG SHOWED

US, USG STATEMENT (SUBMITTED JULY 13) "ADMITS THE ALLEGATIONS OF PARAGRAPH 26" OF COUNT II OF U.S. STEEL COMPLAINT (SUBMITTED FEBRUARY 18) AND "AVERS THAT NO BOUNTY OR GRANT RESULTS THEREBY". PARAGRAPH 26 OF COMPLAINT READS AS FOLLOWS:

"IMPOSITION OF THE VALUE-ADDED TAX ON STEEL PRODUCTS ENTERING THE NATIONS RAISES THE COSTS OF IMPORTS THEREBY RESTRICTING IMPORTS AND PERMITTING EXPANDED DOMESTIC PRODUCTION FOR EITHER HOME MARKET CONSUMPTION OR FOR EXPORT."

3. MESENBERG EMPHASIZED THAT U.S. STEEL CONTENTION IS WRONG AND FAILS TO TAKE INTO ACCOUNT THAT VAT LEVY IS PASSED ON THROUGH ALL STAGES OF PRODUCTION AND DISTRIBUTION FOR BOTH DOMESTIC AND IMPORTED ARTICLES, AND ENTERS COST STRUCTURE ONLY AT TIME OF SALE TO END CONSUMER. HE GAVE US COPY OF JUNE 3 PAPER FROM DELEGATION OF EC COMMISSION IN WASHINGTON WHICH EXPLAINS IN SOME DETAIL HOW "GOODS WHICH ARE IMPORTED FROM OUTSIDE ARE LIABLE TO VAT AT SAME RATE AS SIMILAR DOMESTIC PRODUCTS," AND THAT HENCE VAT "DOES NOT INCREASE THE IMPORTATION COSTS IN RELATION TO PRICE OF NATIONAL PRODUCTS." MESENBERG SAID THAT EC DELEGATION HAD GIVEN THIS PAPER TO TREASURY ON JUNE 3. HE UNCERTAIN WHETHER JUSTICE OR STATE HAD RECEIVED COPY. (WE ARE POUCHING COPY OF JUNE 3 PAPER TO EUR/CE FOR FURTHER DISTRIBUTION.)

4. AS FURTHER DOCUMENTATION ON WORKINGS OF VAT, MESENBERG CITED APRIL 26, 1973 STUDY PUBLISHED BY SENATE COMMITTEE ON FINANCE ENTITLED "EXECUTIVE BRANCH GATT STUDY NO. 1 - TAX ADJUSTMENTS IN INTERNATIONAL TRADE: GATT PROVISIONS AND EEC PRACTICES". PAGES 5-7 OF THIS STUDY MAKE ESSENTIALLY SAME POINT AS JUNE 3 PAPER.

5. MESENBERG SAID THAT, TO HIS KNOWLEDGE, EC AND MEMBER STATES HAVE NOT YET RAISED THIS POINT WITH USG.

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6. REQUEST DEPARTMENT CONVEY MESENBERG'S COMMENTS TO JUSTICE AND TREASURY. PLEASE ADVISE EMBASSY OF REACTION.
HILLENBRAND

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